

NEW APPLICATION
ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

MAY 17 2005

DOCKETED BY

[Signature]

T-03471A-05-0357

COMMISSIONERS:

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KRISTIN K. MAYES

2005 MAY 17 P 2:42

AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF COX
ARIZONA TELCOM, LLC FOR A WAIVER OF
RULE 805 OF THE PUBLIC UTILITY HOLDING
COMPANIES AND AFFILIATED INTERESTS
RULES (A.A.C. R14-2-801 *et seq.*)

Docket Nos. T-03471A-05-_____

APPLICATION

Pursuant to A.A.C. R14-2-806, Cox Arizona Telcom, LLC ("Cox Arizona"), a Delaware limited liability company, hereby applies for an extension of the waiver of A.A.C. R14-2-805 ("Rule 805") that was granted to Cox Arizona in Decision No. 66234 (September 16, 2003).

INTRODUCTION

In Decision No. 66234, the Commission granted Cox Arizona a waiver of Rule 805 of the Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-805 (the "Rules").¹ The waiver granted to Cox Arizona was limited to a 30-month period and was granted from the date of November 17, 2002. Rule 805 requires an annual filing on April 15 of each year setting forth the diversification activities and plans of a public utility and its public utility holding company. Because Cox Arizona's operations

¹ Generally, the Rules regulate the formation of public utility holding companies and certain transactions and activities between public service corporations and their affiliated interests. According to the Commission in promulgating the Rules, the Rules are intended to: (i) prevent the commingling of utility and non-utility funds; (ii) prohibit cross-subsidization of non-utility activities by utility ratepayers; (iii) prevent negative impact of non-utility activities on a utility's financial credit; and (iv) ensure that the utility and its affiliates provide the Commission with the information necessary to "carry out its regulatory responsibilities." [See Decision No. 56618]

1 represents only a very small piece of the corporate structure of Cox Arizona's ultimate
2 parent, Cox Communications, Inc., application of Rule 805 to Cox Arizona would be
3 unreasonably costly and burdensome. Under Rule 805, Cox Arizona could be required to
4 supply the Commission with voluminous information concerning corporate diversification
5 activities and plans – including transactions between Cox Arizona's affiliates – and
6 assessments of affiliate corporate structure.

7 Cox Arizona respectfully submits that it should continue to be exempt from Rule
8 805, as provided by Decision No. 66234. As explained below, Cox Arizona operates in a
9 highly competitive environment that, in conjunction with the Commission's existing
10 regulatory measures, already effectively protects customers from cross-subsidization or
11 other activities that will detrimentally affect service to customers. Moreover, the partial
12 waivers of Rules 803 and 804 still require Cox to seek Commission approval for
13 transactions or activities that have a material impact in Arizona. The Commission will
14 continue to be able to effectively regulate Cox Arizona as appropriate in a competitive
15 market – just as the Commission has done during the pendency of the previous waiver of
16 Rule 805.

17 BACKGROUND

18 Cox Arizona is a wholly-owned subsidiary of CoxCom, Inc. CoxCom, Inc.'s parent
19 is Cox Communications, Inc. ("Cox Communications"), a Delaware corporation head-
20 quartered in Atlanta, Georgia. Cox Communications is one of the nation's largest
21 broadband communications companies and provides a variety of services in numerous
22 states, through the operation of a large number of subsidiaries and other affiliated
23 companies. Those operations and services include cable television, local and long distance
24 telephone, digital video, and high-speed Internet access. Attached as Exhibit A is an
25 organizational chart of Cox Communications and its parent companies, divisions,
26 subsidiaries and affiliates.

27 Cox Arizona (and its predecessor Cox Arizona Telcom, Inc.) have been providing

1 competitive telecommunications services in Arizona since 1998. The revenues generated
2 by Cox Arizona comprise less than 2 % of Cox Communications' overall revenues.

3
4 **BASES FOR THE EXTENSION OF THE**
5 **WAIVER OF RULE 805**
6

7 Cox Arizona submits that application of Rule 805 to Cox Arizona and its public
8 utility holding company continues to be both unnecessary and unreasonably burdensome.
9 Indeed, Decision No. 66234 (line 17, page 4) noted that "The application of Rule 805 is
10 unnecessary where a public utility company like Cox Arizona operates in a competitive
11 environment, lacks monopoly power, and generates revenue in Arizona that represents only
12 a small portion of its total corporate revenues."

13 On its face, Rule 805 would require submission of reams of information for
14 Commission review and evaluation concerning diversification activities and plans. Along
15 with these plans, Cox Arizona and its holding company would have to file other information
16 including, but not limited to, financial statements for each subsidiary, a description of the
17 plans for the utilities' subsidiaries to change business activities, an assessment of the effect
18 of planned affiliated activities on the utility's capital structure, the bases upon which the
19 holding company allocates costs, the dollar amount transferred between the utility and each
20 affiliate, and most contracts between affiliates and the utility. These measures are imposed,
21 presumably, to deter any potentially negative impact on Arizona ratepayers resulting from
22 such activities.

23 Cox Arizona acknowledges that such regulations are quite appropriate in the context
24 of utilities whose revenues in large part result from the provision of intrastate monopoly
25 utility services. Monopoly service revenues might improperly capitalize the non-regulated
26 affiliate business activities of such utilities, with utility ratepayers both potentially bearing
27 the risk of failure and paying higher rates than necessary for monopoly service. Such

1 activities would unjustly burden consumers of these utility services. Under such
2 circumstances, the role of Rule 805 in monitoring non-regulated utility activities are prudent
3 and clearly serve to further the public interest.

4 In contrast to a monopoly provider, application of Rule 805 is unnecessary where a
5 public utility, such as Cox Arizona: (i) operates in a competitive market; (ii) does not
6 possess monopoly power; and (iii) generates revenues in Arizona that comprises only a
7 small portion of its total corporate family revenues and investment. Indeed, due to
8 competitive market forces in effect in Arizona, Cox Arizona has no incentive (or ability) to
9 charge unduly high or above-market prices that could be used to fund or subsidize
10 unregulated affiliates or to commingle utility and non-utility funds in a manner that is
11 harmful to Arizona consumers. Moreover, the vast majority of affiliate transactions that
12 would need to be reported under Rule 805 are either national or pertain exclusively to
13 interests in other states, and, therefore, have little, if any, impact on Arizona. However, if
14 such activities do have a material impact on Arizona, Cox Arizona must still comply with
15 Rules 803 and 804.

16 Finally, the requested waiver of Rule 805 has been in effect for five years now with
17 no adverse effect on Arizona consumers. The Rule 805 waiver should continue given that
18 lack of adverse impact, the unnecessary reporting burden Rule 805 would place on Cox
19 Arizona and the Commission's other existing regulatory authority over Cox Arizona.

20 RELIEF REQUESTED

21 **Extension of Waiver of Rule 805**

22 Cox Arizona requests that the Commission grant an extension of the waiver of Rule
23 805. The previous waiver has not resulted in any detrimental impact on Cox customers or
24 Arizona consumers in general.

25 Moreover, Cox's continuing obligations under the partial waivers of Rules 803 and
26 804 remain sufficient to capture and expose affiliated transactions that are likely to have a
27 material adverse effect on the Cox Arizona jurisdictional operations.

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CONCLUSION

For the foregoing reasons, Cox Arizona respectfully requests that the Commission extend the waiver of Rule 805 for Cox Arizona.

RESPECTFULLY SUBMITTED May 17, 2005.

COX ARIZONA TELCOM, LLC

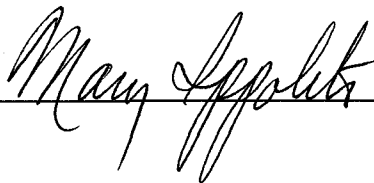
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ORIGINAL + 13 COPIES of the foregoing
filed May 17th, 2005, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007



EXHIBIT

A

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graph TD
    A[COX ENTERPRISES, INC.] --- B[COX HOLDINGS, INC.]
    B --- C[COX COMMUNICATIONS, INC. *]
    A --- D[Cox DNS, Inc. (formerly Cox Discovery, Inc.)]
    D --- B
  
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COX ENTERPRISES, INC.

COX HOLDINGS, INC.

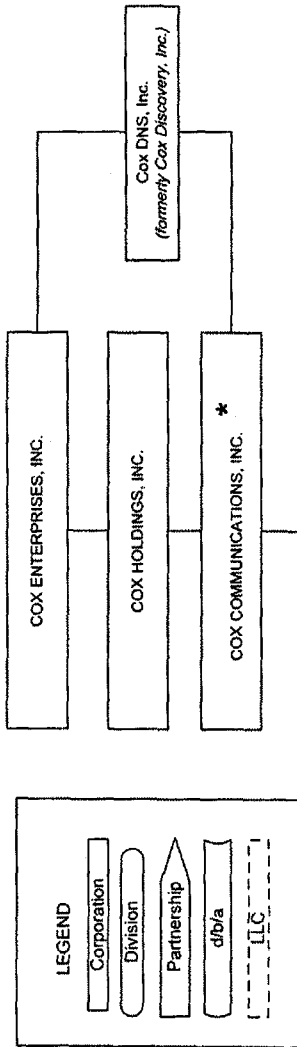
COX COMMUNICATIONS, INC. *

Cox DNS, Inc.
(formerly Cox Discovery, Inc.)

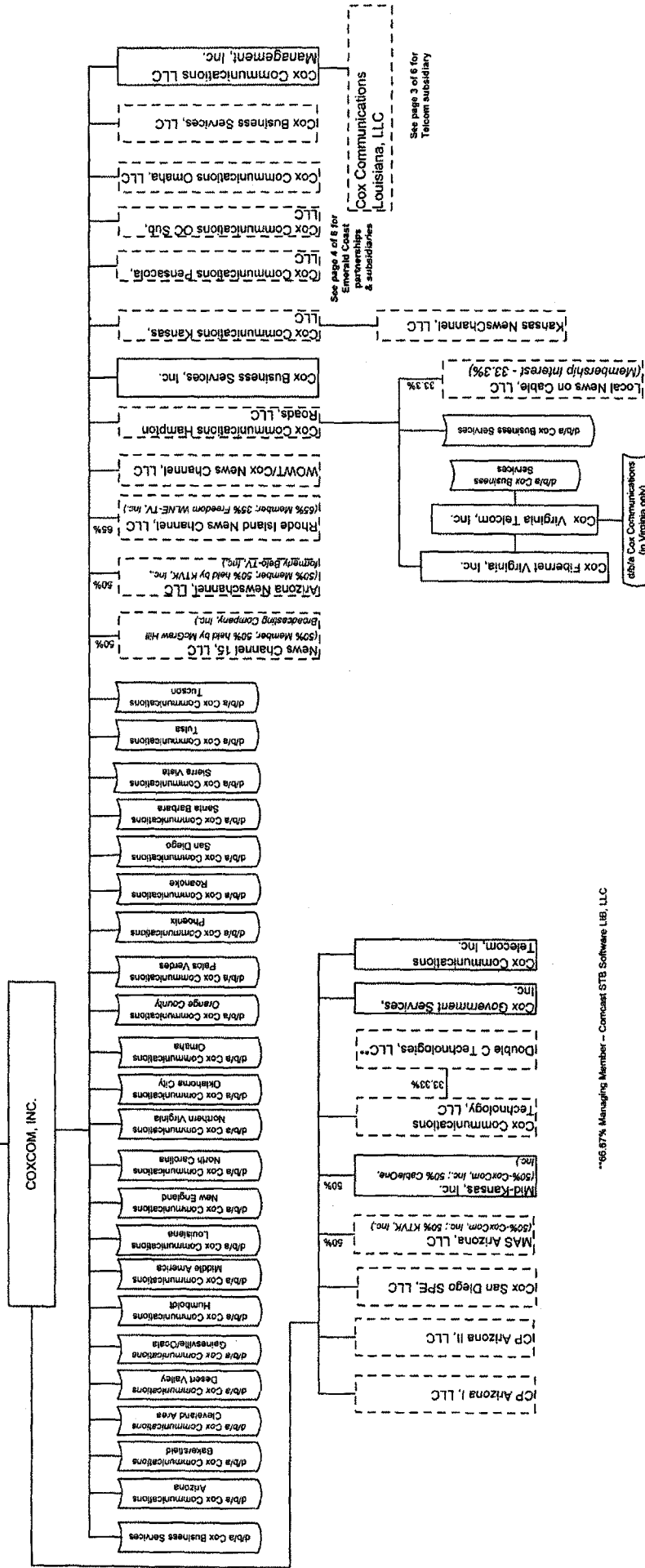
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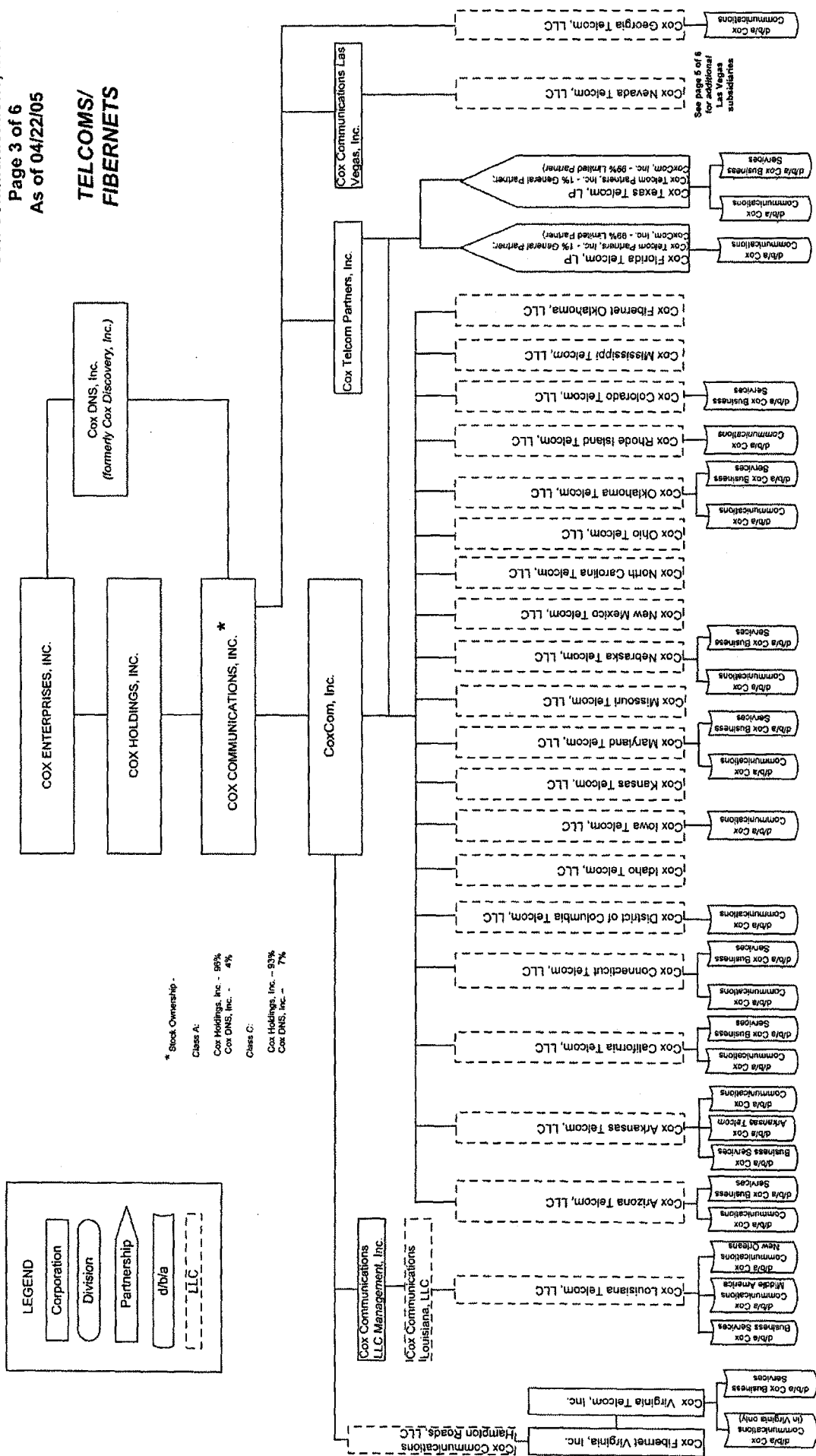
*Cox Media, L.L.C. – 100% Class A Member;
Time Warner Cable, Inc. – 100% Class B Member

Cox Communications, Inc.
Page 2 of 6
As of 04/22/05

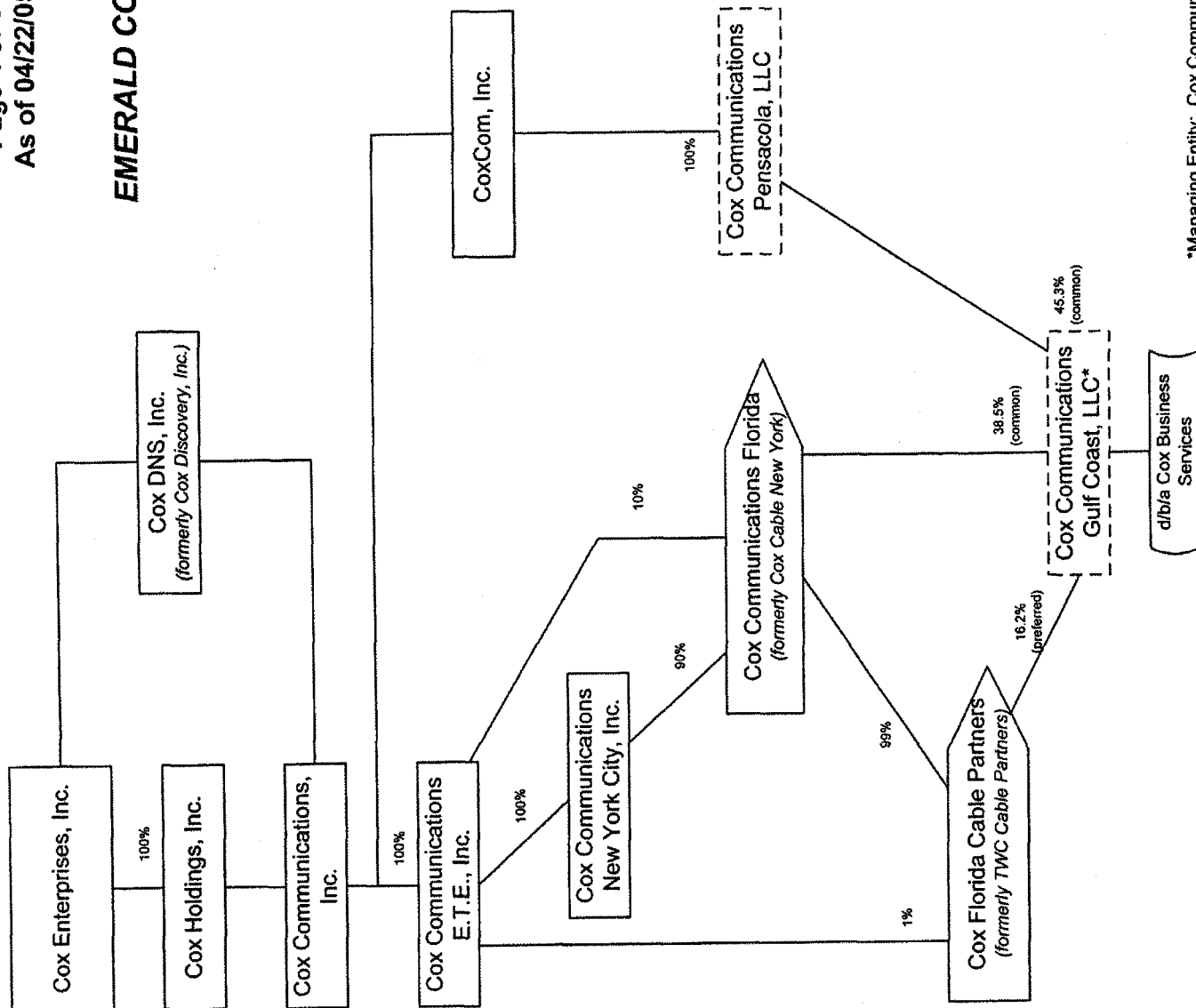
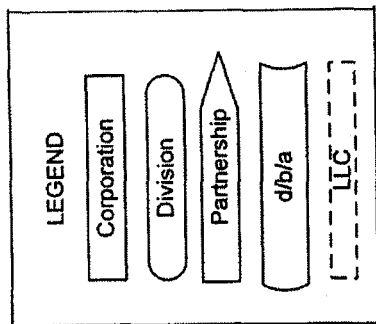


* Stock Ownership -
Class A:
Cox Holdings, Inc. - 93%
Cox DNS, Inc. - 4%
Class C:
Cox Holdings, Inc. - 93%
Cox DNS, Inc. - 7%



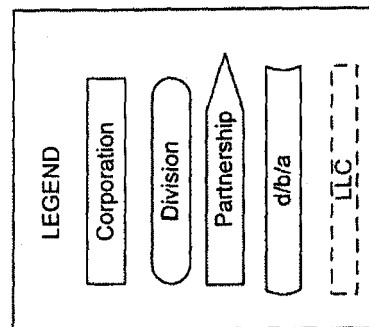
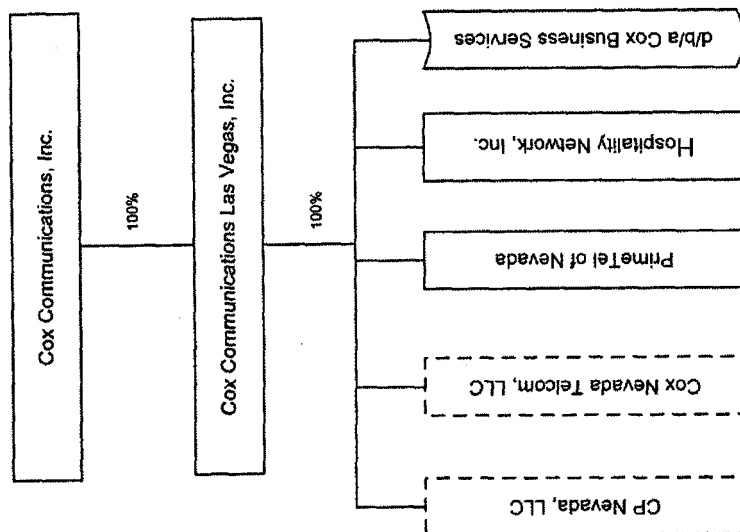


EMERALD COAST



*Managing Entity: Cox Communications Florida

LAS VEGAS



**CoxCom subsidiaries with
Southwest interests;
former AT&T systems**

